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## WTO and Agriculture

# What's at Stake for Tennessee?

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Tennessee produces agricultural goods that are exported worldwide. In 1997, the state's exports reached an estimated \$540 million, up from \$353 million in 1991. These exports help boost farm prices and income, while supporting about 9,200 jobs both on the farm and off the farm in food processing, transportation and manufacturing. Exports are increasingly important to Tennessee's agricultural and state-wide economy. Measured as exports divided by farm cash receipts, the state's reliance on agricultural exports rose from 18% to 24% since 1991.

The top five agricultural exports in 1997 were:

- # soybeans and products -- \$156 million
- # cotton -- \$86 million
- # tobacco leaf -- \$108 million
- # poultry and products -- \$38 million
- # live animals and red meats -- \$23 million

World demand for these products is increasing, but so is competition among suppliers. If Tennessee's farmers, ranchers, and food processors are to compete successfully for the export opportunities of the 21st century, they need *fair trade* and *fair access* to growing global markets.

### **Tennessee Producers Benefit from Trade Agreements**

Tennessee is already benefitting from a number of agricultural trade agreements. While there is still much to be done, examples of new market opportunities for Tennessee include:

- # Tennessee, a major tobacco producer, benefits under the Uruguay Round as the EU reduces tariffs by 20% to 50%, Japan reduces tariffs and binds its duty rate at zero for tobacco, and Argentina, Brazil, Turkey and others reduce import duties. Under NAFTA, Mexico's tobacco import licensing scheme was eliminated, and all duties will be phased out.
- # An important cotton producer, Tennessee benefits under NAFTA with new rules of origin that have increased demand for U.S. textiles in Canada and Mexico. Mexico will phase out its 10% tariff for cotton by 2004. Under the Uruguay Round, Hong Kong and Malaysia bound their cotton tariffs at zero.
- # With 20% of its farm receipts coming from cattle, Tennessee benefits from the Uruguay Round with a 38% reduction in the quantity of EU beef receiving export subsidies by 2000. Japan and the Philippines are reducing beef tariffs to 38.5% and 35%, respectively. Korea will eliminate its beef import quota by 2001 and reduce its tariffs to 40% by 2004.

